Magandang umaga sa inyong lahat.

Isang karangalan na makasama ko kayo ngayong umaga.

It is a great pleasure to have the opportunity to speak and engage with you all today. Congratulations to The Manila Times for its 127th Anniversary. at The Manila Times Year-end Economic Forum. I appreciate this event reminds us all that an eventful year draws to a close. I pay respect to The Manila Times' forward – looking action as this is the first event I join titled with "the Year-end" for this year.

Today, this forum affords us a timely moment to reflect: a chance to better reorient ourselves toward prosperity for the year ahead. As Undersecretary Toledo introduced comprehensive information related to the prospect of the Philippine economy, I would like to share my view on the current economic situation, as well as our government's responses. Subsequently, I will be discussing the significance of the Philippines to Japan and the economic relations between our two nations.

Current Economic Situation and Outlook, Japan's Response

Let us first consider the current state of the global economy and its outlook for 2026. I imagine each of you respectively has discussed reciprocal tariffs, trade deals, and competition between major powers hundreds times or more so far this year. The impacts of geopolitics over the business operations, inflation rates, and longer economic prospects have seemingly dominated our daily conversations.

A look at global indicators, such as the FAO Food Price Index and the Global Price of Energy Index, shows that food and energy prices have largely returned to the levels seen before Russia's aggression in Ukraine.

However, significant risks persist. Ongoing conflicts pose a direct threat to this stability. Natural disasters also pose risks. Globally, against the backdrop of climate change, intense natural disasters are becoming a severe economic risk. Recognizing this, the G7 Summit this year adopted the Kananaskis Wildfire Charter, aimed at preventing and mitigating the impact of devastating wildfires. In the Philippines, typhoon floods, earthquakes and volcano eruptions are frequent causes for the devastations.

Non – market policies and practices prose challenges, while economic security issues are becoming increasingly evident. Multilateral economic frameworks, including the WTO and G20, are struggling to address these challenges adequately.

Reflecting these uncertainties, the 2026 economic forecasts published by major global institutions are somewhat subdued.

According to the latest projections from the World Bank and the OECD, global economic growth is expected to reach 3.1% and 2.9%, respectively, in 2026—lower than the anticipated growth rates for 2024 and 2025. The WTO predicts a slowdown in global trade volume growth to +0.5%, compared to +2.4% in 2025 and +2.8% in 2024.

As the theme of this forum aptly suggests, dark clouds are looming over the global economy.

Japan's Response

Then, what are the Japanese responses?

Before talking about this, I would like to briefly touch upon the Japanese political scene. In Japan, as you all are aware, we marked a historic milestone this week with the inauguration of our new Prime Minister, Takaichi Sanae, who becomes the first female to hold this office. Prime Minister Takaichi has started her Cabinet with the top speed from Day One. She referred to her Cabinet as the one with Decision – making and Progress – making. At the first Cabinet meeting late at night, Prime Minister Takaichi ordered establishing comprehensive economic measures addressing the high cost of living as one of her utmost priorities. She also pledged strategic public – private investments to address common global challenges and risks that are beneficial for future growth of Japan. These focuses mirror with the positions of the Marcos administration, which is similarly dedicated to tackling shared challenges. She is delivered her first policy speech at the Diet today.

Prime Minister Takaichi's foreign policy schedule is also extremely tight. She is attending ASEAN related Leaders' Meeting in Malaysia over this weekend and the APEC meeting in South Korea next week. In between, President Trump will visit Japan from October 27 to 29. On the early morning of Day Two, on 22, North Korea even launched its Ballistic Missile.

Under these circumstances, how has Japan been responding to the uncertainties of global economy?

To start, Japan's economic diplomacy revolves around three pillars.

First, we aim to maintain and reinforce the rules – based free and fair international economic order. This is sustained through economic partnership agreements and maintenance, as well as strengthening of a multilateral trading system.
Second, we are committed to supporting the expansion of overseas operations of Japanese businesses. Efforts to stimulate Japanese economy also include attracting inbound investments and tourists to Japanese market.

As for the third pillar, we are accelerating initiatives to enhance economic security in such areas as information and communication technology, critical minerals, energy, food and critical infrastructures. A key focus of our diplomatic efforts.

Allow me to elaborate on the first point. Regarding the WTO, Japan is actively working on reforms to address new challenges: issues that come with digital trade, non-market policies and practices, and economic coercion. We are also promoting rulemaking through plurilateral initiatives, including negotiations on electronic commerce agreements and investment facilitation agreements. Furthermore, we are leading discussions within frameworks like the CPTPP to pursue multilayered efforts.

On economic security, Japan is spearheading rulemaking to strengthen economic security and resilience hinged on international cooperation. We collaborate with like-minded countries to enhance the resilience of supply chains for strategic materials, promote and safeguard critical and emerging technologies, and strengthen cooperation with emerging and developing countries. In the realm of food security, we work with organizations, like the FAO, to provide tailored support to countries in need. We also aim to promote cooperation for a more stable food supply.

Significance of the Philippines and Japan-Philippines Economic Relations

In this context, how should we view the prospect of the relationship between Japan and the Philippines?

I would first like to emphasize that Japan's new leadership is firmly committed to deepening our ties with the Philippines. Immediately following her election as LDP

President on October 4, Prime Minister Takaichi emphasized the necessity of trilateral cooperation between Japan, the United States, and the Philippines.

This commitment was echoed by our new Foreign Minister, Motegi Toshimitsu, who specifically stated at his inaugural press conference on Wednesday, October 22nd, that he intends to strengthen our network of diplomatic and security cooperation with such countries as Australia, India, ROK, the Philippines and European countries, in addition to strengthening our alliance with the US. These statements make one thing abundantly clear: the importance of the Philippines to Japan is resolute and transcends any change in administration.

As we look ahead to the Philippines' chair of ASEAN in 2026, we are in a position to reaffirm and further construct our vital relationships – bilaterally between Japan and the

Philippines, and collectively with ASEAN.

It is important to emphasize that the Philippines plays a vital role in all three pillars of Japan’s economic diplomacy.

Firstly, the Philippines and Japan are like-minded countries that share fundamental principles and strategic interests.
We find overlapping values in multilateralism, free trade, and a vision of a Free and Open Indo-Pacific (FOIP). The economic growth of the Philippines is beneficial to Japan, and we support the Philippines' aspiration to become an upper-middle-income country.

Secondly, the Philippines is a key partner of Japan in advancing economic partnership and cooperation.
In terms of Official Development Assistance (ODA), Japan takes pride in being by far the top donor to the Philippines for many decades. We have been committed to addressing

some of the country's challenges. In improving transportation infrastructure, projects like the Metro Manila Subway and the North-South Commuter Railway are currently underway. For disaster preparedness, JICA is conducting detailed planning for disaster risk reduction and management projects related to earthquakes and tsunamis in Metro Manila. Just this September, I had the privilege of attending the ministerial-level Japan-Philippines Joint Committee on Economic Cooperation and Infrastructure. During which, we agreed to continue advancing specific projects in infrastructure and disaster resilience. By enhancing infrastructure and disaster resilience, we humbly help the Philippines to attract even more foreign investments and support its economic growth.

Moreover, new forms of development cooperation are emerging. For instance, digital infrastructure development is gaining traction. The Philippines, with its young population, is receptive to technological advancements in the digital sector and with the internet. Strengthening digital infrastructure is essential, and this holds significance from the perspective of Japan's economic security. The private sector is keenly interested in this area, which presents considerable potential. Another example is climate change mitigation, where initiatives like Asia Zero Emission Community, or AZEC, and the bilateral credit mechanism are expected to contribute to decarbonization. The Japanese Embassy is committed to working closely with Philippine authorities in all these areas to achieve meaningful outcomes.

Thirdly, the Philippines is an attractive business partner for Japanese companies.

The demographic dividend is projected to continue until 2050. English proficiency, the bright communicative nature of its people and educated talents are notable advantages. The Philippines' domestic market is expected to continue to grow with its population growth in years to come. For the Philippines, the very first Free Trade Agreement with a foreign country was with Japan, the Japan – Philippines Economic Partnership Agreement, or JPEPA, signed in 2006 and entered into force in 2008. 2026 will be the 20th anniversary of the signing of this historic milestone. In addition, the Philippines is expected to achieve relatively high economic growth of well over 5%, despite subdued global forecasts for 2026. Many Japanese economists are quite confident that the Filipino domestic – demand – driven economy will continue to grow in 2026.

To paint a better picture, there are approximately 1,600 Japanese companies operating in the Philippines. According to PEZA, the Philippine Economic Zone Authority, over 800 of its registered companies are Japanese, making Japan the top country in terms of presence. From January to September this year, Japanese companies accounted for approximately 10% of PEZA-approved investments, totaling about 150 billion pesos. Meanwhile, investments span various sectors, including manufacturing, retail, and food services. The day before yesterday, I attended the opening ceremony of Murata Manufacturing's new facility for multilayer ceramic capacitors; a development which is expected to support the Philippine government’s vision of becoming a regional hub for electronics manufacturing. I believe that it also reflects the deep trust that Japanese companies place in the Filipino workforce for their skills, dedication, and spirit of innovation.

These investments organically contribute to employment and regional development. As PEZA Director General Panga affirmed, "Japan's continued engagement and expansion position the Philippines as a 'trusted manufacturing and investment hub' globally."

With foreign investment, however, challenges exist in every country given the differences in systems and practices. The passage of the CREATE MORE act last year marked progress in enhancing the business environment in the Philippines, developments we have since welcomed. We are aware; however, that foreign companies face difficulties concerning transparency and predictability in taxation. Some potential investors are reluctant to make final commitments worrying about the long – term consistency of policies. In light of these, we continue to look forward to improvements in the business environments. With more clarity and predictability, Japanese companies will be able to contribute better to the Philippines' economic development.

Lastly, the Philippines is a crucial partner in multilateral diplomacy. In addition to our shared ideals in economic relations, our close cooperation has boasted a remarkable scope. Our partnerships span areas such as as FOIP, the rule of law at sea, nuclear disarmament, and non-proliferation. Another notable example is the CPTPP, which sets comprehensive and advanced high-standard rules. We are aware of the Philippines’ interest in joining the CPTPP. I commend the Philippines' strong determination to achieve further economic reforms and growth through acceding to the CPTPP. Through the CPTPP, we hope the country’s determination bolsters its efforts towards a better business environment, and in turn, promote the Japan – Philippines business relations. Furthermore, the interest shown by regional powers like the Philippines is expected to drive further expansion of the CPTPP.

Conclusion

The global economic outlook for 2026 remains uncertain and challenging, but Japan is committed to sustaining and strengthening a free and open world economy. We remain committed for the betterment of the global economic landscape. Simultaneously, we continue to support Japanese companies to fortify Japan's economy. As a robust economy complements stability, enhancing economic security also remains imperative.

In all these aspects, the Philippines is a highly valued partner for Japan, both in supporting mutual economic and social development and in strengthening a free and open economic order.

In 2026, the Philippines will hold the ASEAN chairmanship. With its all – important role next year, I hope for active discussions and peaceful developments throughout the country's chairmanship. Incidentally, 2026 also marks the 70th anniversary of the normalization of diplomatic relations between Japan and the Philippines. Guided by this rare milestone, the embassy aims to seamlessly connect both public and private sector initiatives towards shared and prosperous outcomes.

Amid challenging circumstances, Japan and the Philippines can make significant contributions not only to each other, but to the broader region and the world. Reflecting on our theme today, I am reminded of an uplifting saying: clouds come and go but mountains remain. As we face gathering clouds of uncertainty, our countries' relationship stands as a mountain of stability, remaining firm through passing clouds and storms.

As the embassy, we are committed to making 2026 a year of fruitful cooperation between Japan and the Philippines. We will continue to aim for impactful outcomes that will go beyond borders and connect peoples.

Maraming Salamat. Mabuhay kayong lahat.